

CITY OF ATLANTIC, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2020

CITY OF ATLANTIC, IOWA
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CITY OF ATLANTIC, IOWA
OFFICIALS
June 30, 2020

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2020)		
David R. Jones	Mayor	January, 2022
Richard Casady	Council Member	January, 2022
Gerald Brink	Council Member	January, 2022
Kathy Somers	Council Member	January, 2022
Dana Halder	Council Member	January, 2020
Linda Hartkopf	Council Member	January, 2020
Pat McCurdy (Appointed June, 2019)	Council Member	January, 2020
Chris Jimerson	Council Member	January, 2020
John Lund	City Administrator	Indefinite
Barb Barrick	City Clerk/Treasurer	Indefinite
Mark Bosworth	City Attorney	Indefinite
(After January, 2020)		
David R. Jones	Mayor	January, 2022
Richard Casady	Council Member	January, 2022
Gerald Brink	Council Member	January, 2022
Kathy Somers	Council Member	January, 2022
James Behrens	Council Member	January, 2024
Linda Hartkopf	Council Member	January, 2024
Pat McCurdy	Council Member	January, 2024
Grace Garrett	Council Member	January, 2024
John Lund	City Administrator	Indefinite
Barb Barrick	City Clerk/Treasurer	Indefinite
Mark Bosworth	City Attorney	Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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MARK D. KYHNN
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor and
Members of the City Council

Opinions

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements do not include financial data for the City's discretely presented component unit because the Atlantic Municipal Utilities has a calendar year end and reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data of all component units. The City has not issued such reporting entity financial statements. The amount by which this departure affects cash and cash basis net position of the aggregate discretely presented component unit has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Atlantic as of June 30, 2020, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Atlantic's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2019 (which are not presented herein) and expressed adverse and unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the three years ended June 30, 2013 (which are not presented herein), were audited by other auditors whose report expressed adverse and unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

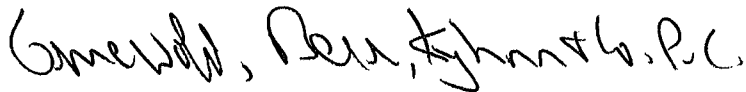
To the Honorable Mayor and
Members of the City Council

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 5e and 31 through 35, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2021 on our consideration of the City of Atlantic's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Atlantic's internal control over financial reporting and compliance.



Atlantic, Iowa
January 27, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Atlantic has prepared the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 2.7%, or approximately \$236,000, in fiscal year 2020 from fiscal year 2019. Capital grants, contributions and restricted interest on investments decreased approximately \$448,000 while debt proceeds, net of the payment for refunding debt, increased approximately \$255,000.
- Disbursements of the City's governmental activities decreased 14.7%, or approximately \$1,525,000, in fiscal year 2020 from fiscal year 2019. Capital projects function disbursements decreased approximately \$1,896,000, and disbursements for the debt service function increased approximately \$307,000.
- The City's total cash basis net assets decreased 2.7%, or approximately \$220,000, from June 30, 2019 to June 30, 2020. Of this amount, the cash basis net position of the governmental activities increased approximately \$46,000 and the cash basis net position of the business type activities decreased approximately \$266,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the Government-wide Financial Statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year, as well as presenting the Schedule of the City's Proportionate Share of the Net Pension Liability and Schedule of City Contributions.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer system and storm water activities. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These funds focus on how money flows into and out of the funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use and Tax Increment Financing, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Storm Water and Sewer Funds; the Sewer Fund is considered to be a major fund of the City. The Internal Service Fund is an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's balance for governmental activities increased approximately \$46,000 from a year ago. The analysis that follows focuses on the cash balances for governmental activities.

Change in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2020	2019
Receipts		
Program Receipts		
Charges for Service	\$ 672	\$ 644
Operating Grants, Contributions and Restricted Interest	1,656	1,560
Capital Grants, Contributions and Restricted Interest on Investments	424	872
General Receipts		
Property Tax	3,762	3,749
Tax Increment Financing	182	189
Local Option Sales Tax	917	1,164
Hotel/Motel Tax	69	77
Commercial/Industrial Tax Replacement	114	118
Unrestricted Interest on Investments	123	83
Bond Proceeds	90	90
Bonds Issued for Refunding Debt	3,685	--
Payment for Refunding Debt	(3,430)	--
Other General Receipts	187	141
Total Receipts	<u>8,451</u>	<u>8,687</u>
Disbursements		
Public Safety	2,180	2,062
Public Works	1,450	1,593
Health and Social Services	13	12
Culture and Recreation	998	896
Community and Economic Development	234	254
General Government	594	588
Debt Service	1,897	1,590
Capital Projects	1,497	3,393
Total Disbursements	<u>8,863</u>	<u>10,388</u>
Change in Cash Basis Net Position Before Transfers	(412)	(1,701)
Transfers, Net	<u>458</u>	<u>194</u>
Change in Cash Basis Net Position	46	(1,507)
Cash Basis Net Position Beginning of Year	<u>6,506</u>	<u>8,013</u>
Cash Basis Net Position End of Year	<u>\$ 6,552</u>	<u>\$ 6,506</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The City's total receipts for governmental activities decreased 2.7% or approximately \$236,000. The total cost of all programs and services decreased by approximately 14.7% or approximately \$1,525,000, due to a decrease in capital project expenditures.

The cost of all governmental activities this year was approximately \$8,863,000 compared to approximately \$10,388,000 last year.

Change in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2020	2019
Receipts		
Program Receipts		
Charges for Service		
Sewer	\$ 1,590	\$ 1,582
Storm Water	220	213
General Receipts		
Other General Receipts	68	44
Total Receipts	<u>1,878</u>	<u>1,839</u>
Disbursements		
Sewer	1,600	1,604
Storm Water	86	46
Total Disbursements	<u>1,686</u>	<u>1,650</u>
Change in Cash Basis Net Position Before Transfers	192	189
Transfers, Net	<u>(458)</u>	<u>(194)</u>
Change in Cash Basis Net Position	(266)	(5)
Cash Basis Net Position - Beginning of Year	<u>1,625</u>	<u>1,630</u>
Cash Basis Net Position - End of Year	<u>\$ 1,359</u>	<u>\$ 1,625</u>

Total business type activities receipts for the fiscal year were approximately \$1,878,000 compared to approximately \$1,839,000 last year. The cash balance decreased by approximately 16.4% or \$266,000 from the prior year. Total disbursements for the fiscal year increased by approximately 2.2% to a total of approximately \$1,686,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Atlantic completed the year, its governmental funds reported a combined fund balance of \$6,545,000, an increase of approximately \$32,000 from last year's total of \$6,513,000. The following are changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased by approximately \$66,000 from the prior year to \$3,290,000.
- The Special Revenue, Road Use Tax Fund cash balance increased by approximately \$158,000 to approximately \$880,000.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased by approximately \$2,000 to approximately \$349,000.
- The Special Revenue, Employee Benefits Fund cash balance decreased by approximately \$93,000 to approximately \$369,000.
- The Debt Service Fund cash balance increased approximately \$29,000 to approximately \$73,000.
- The Capital Projects Fund cash balance increased by approximately \$1,000 to approximately \$1,411,000.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sewer Fund cash balance decreased by approximately \$268,000 to approximately \$1,135,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once, which increased budgeted disbursements by \$3,882,500. The budget increase was primarily for disbursements in the debt service function.

The City's total receipts were less than budgeted by approximately \$2,536,000 and disbursements were less than budgeted by approximately \$6,088,000. The City exceeded the amounts budgeted in the public safety, culture and recreation and business type activities functions for the year ended June 30, 2020 due to a higher than expected amount of disbursements during the fiscal year.

DEBT ADMINISTRATION

At June 30, 2020, the City had \$20,268,297 in bonds, compared to \$21,818,684 last year as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year Ended June 30,	
	2020	2019
General Obligation Bonds	\$ 11,015	\$ 12,117
Revenue Bonds	9,253	9,702
Total	<u>\$ 20,268</u>	<u>\$ 21,819</u>

The Constitution of the State of Iowa Limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$11,015,000 is below its constitutional debt limit of approximately \$18,364,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Atlantic's elected and appointed officials and citizens considered many factors when setting the fiscal year 2021 budget, tax rates and fees charged for various City activities.

These indicators were taken into account when adopting the budget for fiscal year 2021. Amounts available for appropriation in the operating budget are approximately \$12.0 million, a decrease of 26.4% from the final fiscal year 2020 budget. Budgeted disbursements are expected to decrease approximately \$1,704,000, or 10.3%. The City has added no major new programs or initiatives to the fiscal year 2021 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Barb Barrick, City Clerk, Atlantic, Iowa.

CITY OF ATLANTIC, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2020

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 2,179,566	\$ 145,802	\$ 41,241
Public works	1,450,931	336,826	923,249
Health and social services	12,985	--	--
Culture and recreation	997,761	77,913	249,083
Community and economic development	233,538	2,118	--
General government	594,493	109,625	404,297
Debt service	1,896,606	--	37,634
Capital projects	<u>1,497,296</u>	<u>--</u>	<u>--</u>
Total governmental activities	<u>8,863,176</u>	<u>672,284</u>	<u>1,655,504</u>
Business type activities:			
Sewer	1,599,669	1,589,716	--
Storm water	<u>86,654</u>	<u>220,221</u>	<u>--</u>
Total business type activities	<u>1,686,323</u>	<u>1,809,937</u>	<u>--</u>
Total	<u>\$ 10,549,499</u>	<u>\$ 2,482,221</u>	<u>\$ 1,655,504</u>
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Hotel/motel tax			
Commercial/industrial tax replacement			
Unrestricted interest on investments			
Bond proceeds			
Bonds issued for refunding debt			
Payment for refunding debt			
Miscellaneous			
Sale of capital assets			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$(1,992,523)	\$ --	\$(1,992,523)
--	(190,856)	--	(190,856)
--	(12,985)	--	(12,985)
--	(670,765)	--	(670,765)
--	(231,420)	--	(231,420)
--	(80,571)	--	(80,571)
--	(1,858,972)	--	(1,858,972)
<u>423,658</u>	<u>(1,073,638)</u>	<u>--</u>	<u>(1,073,638)</u>
<u>423,658</u>	<u>(6,111,730)</u>	<u>--</u>	<u>(6,111,730)</u>
--	--	(9,953)	(9,953)
<u>--</u>	<u>--</u>	<u>133,567</u>	<u>133,567</u>
--	--	123,614	123,614
<u>\$ 423,658</u>	<u>(6,111,730)</u>	<u>123,614</u>	<u>(5,988,116)</u>
	2,732,179	--	2,732,179
	1,029,530	--	1,029,530
	182,411	--	182,411
	917,068	--	917,068
	69,054	--	69,054
	113,533	--	113,533
	123,499	29,452	152,951
	90,000	--	90,000
	3,685,000	--	3,685,000
	(3,430,000)	--	(3,430,000)
	131,594	39,180	170,774
	55,835	--	55,835
	458,457	(458,457)	--
	<u>6,158,160</u>	<u>(389,825)</u>	<u>5,768,335</u>
	46,430	(266,211)	(219,781)
	<u>6,506,067</u>	<u>1,625,345</u>	<u>8,131,412</u>
<u>\$ 6,552,497</u>	<u>\$ 1,359,134</u>	<u>\$ 7,911,631</u>	

CITY OF ATLANTIC, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2020

		<u>Program Receipts</u>
		Operating Grants, Contributions, and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Service</u>
Cash Basis Net Position		
Restricted:		
Expendable:		
Streets		
Local option sales tax		
Debt service		
Capital projects		
Urban renewal purposes		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ 879,818	\$ --	\$ 879,818
	349,235	--	349,235
	72,669	6,945	79,614
	54,749	--	54,749
	56,627	--	56,627
	486,037	--	486,037
	<u>4,653,362</u>	<u>1,352,189</u>	<u>6,005,551</u>
	<u>\$ 6,552,497</u>	<u>\$ 1,359,134</u>	<u>\$ 7,911,631</u>

CITY OF ATLANTIC, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2020

	<u>General</u>	<u>Special Revenue</u> <u>Road Use</u> <u>Tax</u>	<u>Local Option</u> <u>Sales Tax</u>
Receipts:			
Property tax	\$ 1,915,337	\$ --	\$ --
Tax increment financing	--	--	--
Local option sales tax	--	--	917,068
Other city tax	91,932	--	--
Licenses and permits	98,837	--	--
Use of money and property	145,315	18,783	8,481
Intergovernmental	675,614	914,165	--
Charges for service	392,791	--	--
Miscellaneous	194,954	9,019	618
Total receipts	<u>3,514,780</u>	<u>941,967</u>	<u>926,167</u>
Disbursements:			
Operating:			
Public safety	1,593,209	1,373	--
Public works	577,090	653,045	805
Health and social services	--	--	12,985
Culture and recreation	853,195	--	12,000
Community and economic development	93,979	--	82,568
General government	463,804	--	35,123
Debt service	--	--	80,004
Capital projects	--	--	--
Total disbursements	<u>3,581,277</u>	<u>654,418</u>	<u>223,485</u>
Excess (deficiency) of receipts over (under) disbursements	(66,497)	287,549	702,682
Other financing sources (uses):			
Sale of capital assets	55,795	40	--
Debt proceeds	90,000	--	--
Bonds issued for refunding debt	--	--	--
Payment for refunding debt	--	--	--
Transfers in	357,856	32,500	--
Transfers out	(503,651)	(162,051)	(701,121)
Total other financing sources (uses)	<u>--</u>	<u>(129,511)</u>	<u>(701,121)</u>
Change in cash balances	(66,497)	158,038	1,561
Cash balances beginning of year	<u>3,356,537</u>	<u>721,780</u>	<u>347,674</u>
Cash balances end of year	<u>\$ 3,290,040</u>	<u>\$ 879,818</u>	<u>\$ 349,235</u>

(continued next page)

<u>Special Revenue Employee Benefits</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 785,149	\$ 1,018,382	\$ --	\$ --	\$ 3,718,868
--	--	--	182,411	182,411
--	--	--	--	917,068
8,815	11,148	--	--	111,895
--	--	--	--	98,837
10,078	4,487	20,700	2,379	210,223
23,938	30,415	225,015	1,285	1,870,432
--	--	--	--	392,791
<u>69,639</u>	<u>37,635</u>	<u>198,713</u>	<u>--</u>	<u>510,578</u>
897,619	1,102,067	444,428	186,075	8,013,103
547,746	--	--	21,306	2,163,634
217,183	--	--	--	1,448,123
--	--	--	--	12,985
132,566	--	--	--	997,761
2,066	--	--	54,925	233,538
91,485	--	--	--	590,412
--	1,816,602	--	--	1,896,606
--	--	1,497,296	--	1,497,296
<u>991,046</u>	<u>1,816,602</u>	<u>1,497,296</u>	<u>76,231</u>	<u>8,840,355</u>
(93,427)	(714,535)	(1,052,868)	109,844	(827,252)
--	--	--	--	55,835
--	--	--	--	90,000
--	3,685,000	--	--	3,685,000
--	(3,430,000)	--	--	(3,430,000)
--	488,950	1,271,623	27,450	2,178,379
<u>--</u>	<u>--</u>	<u>(218,140)</u>	<u>(134,959)</u>	<u>(1,719,922)</u>
<u>--</u>	<u>743,950</u>	<u>1,053,483</u>	<u>(107,509)</u>	<u>859,292</u>
(93,427)	29,415	615	2,335	32,040
<u>462,700</u>	<u>43,254</u>	<u>1,409,895</u>	<u>171,056</u>	<u>6,512,896</u>
<u>\$ 369,273</u>	<u>\$ 72,669</u>	<u>\$ 1,410,510</u>	<u>\$ 173,391</u>	<u>\$ 6,544,936</u>

CITY OF ATLANTIC, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2020

	<u>General</u>	<u>Special Revenue</u> Road Use Tax	<u>Local Option</u> Sales Tax
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ --	\$ 879,818	\$ --
Local option sales tax	--	--	349,235
Debt service	--	--	--
Capital projects	--	--	--
Urban renewal purposes	--	--	--
Other purposes	--	--	--
Committed for:			
Recreation center	286,177	--	--
Other purposes	70,598	--	--
Assigned for:			
Fire station	98,482	--	--
Capital equipment and improvements	109,890	--	--
Other purposes	489,749	--	--
Unassigned	<u>2,235,144</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 3,290,040</u>	<u>\$ 879,818</u>	<u>\$ 349,235</u>

The accompanying notes are an integral part of these statements.

<u>Special Revenue Employee Benefits</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ --	\$ 879,818
--	--	--	--	349,235
--	72,669	--	--	72,669
--	--	54,749	--	54,749
--	--	--	56,627	56,627
369,273	--	--	116,764	486,037
--	--	--	--	286,177
--	--	--	--	70,598
--	--	--	--	98,482
--	--	1,355,761	--	1,465,651
--	--	--	--	489,749
--	--	--	--	2,235,144
<u>\$ 369,273</u>	<u>\$ 72,669</u>	<u>\$ 1,410,510</u>	<u>\$ 173,391</u>	<u>\$ 6,544,936</u>

CITY OF ATLANTIC, IOWA
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
 DISBURSEMENTS AND CHANGES IN CASH BALANCES
 TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION -
 GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2020

Total governmental funds cash balances (page 8)	\$ 6,544,936
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Amounts reported for governmental activities in the Cash Basis
 Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the
 costs of the City's cafeteria plan to individual funds. A portion
 of the cash balance of the Internal Service Fund is included in
 governmental activities in the Cash Basis Statement of Activities
 and Net Position.

7,561

Cash basis net position of governmental activities (page 6)	<u>\$ 6,552,497</u>
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Change in cash balances (Page 8)	\$ 32,040
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Amounts reported for governmental activities in the Cash Basis
 Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the
 costs of the City's cafeteria plan to individual funds. A portion
 of the change in the cash balance of the Internal Service Fund
 is reported with governmental activities in the Cash Basis
 Statement of Activities and Net Position.

14,390

Change in cash basis net position of governmental activities (page 6)	<u>\$ 46,430</u>
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The accompanying notes are an integral part of these statements.

CITY OF ATLANTIC, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2020

	Enterprise	
	Sewer	Storm Water Nonmajor
Operating receipts:		
Charges for service	\$ 1,584,052	\$ 220,221
Operating disbursements:		
Governmental activities:		
Public safety	--	--
Public works	--	--
General government	--	--
Business type activities	906,173	86,654
Total operating disbursements	906,173	86,654
Excess of operating receipts over operating disbursements	677,879	133,567
Non-operating receipts (disbursements):		
Interest on investments	24,950	4,502
Rent	3,377	--
Miscellaneous	35,803	--
Debt service	(690,023)	--
Net non-operating receipts (disbursements)	(625,893)	4,502
Excess of receipts over disbursements	51,986	138,069
Transfers in	33,803	--
Transfers out	(353,574)	(138,686)
Total transfers in (out)	(319,771)	(138,686)
Change in cash balances	(267,785)	(617)
Cash balances beginning of year	1,402,632	213,712
Cash balances end of year	\$ 1,134,847	\$ 213,095
Cash Basis Fund Balances		
Restricted for debt service	\$ 6,945	\$ --
Unrestricted	1,127,902	213,095
Total cash basis fund balances	\$ 1,134,847	\$ 213,095

The accompanying notes are an integral part of these statements.

<u>Enterprise</u>	<u>Internal Service Cafeteria Plan</u>
<u>Total</u>	
<u>\$ 1,804,273</u>	<u>\$ 42,875</u>
--	15,932
--	2,808
--	4,081
<u>992,827</u>	<u>3,473</u>
<u>992,827</u>	<u>26,294</u>
811,446	16,581
29,452	--
3,377	--
35,803	--
<u>(690,023)</u>	<u>--</u>
<u>(621,391)</u>	<u>--</u>
190,055	16,581
33,803	--
<u>(492,260)</u>	<u>--</u>
<u>(458,457)</u>	<u>--</u>
(268,402)	16,581
<u>1,616,344</u>	<u>2,172</u>
<u>\$ 1,347,942</u>	<u>\$ 18,753</u>
\$ 6,945	\$ --
<u>1,340,997</u>	<u>18,753</u>
<u>\$ 1,347,942</u>	<u>\$ 18,753</u>

CITY OF ATLANTIC, IOWA
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
 DISBURSEMENTS AND CHANGES IN CASH BALANCES
 TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION -
 PROPRIETARY FUNDS

As of and for the year ended June 30, 2020

Total enterprise funds cash balances (page 11)	\$ 1,347,942
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Amounts reported for business type activities in the Cash Basis
 Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the
 costs of the City's cafeteria plan to individual funds. A portion
 of the cash balance of the Internal Service Fund is included in
 business type activities in the Cash Basis Statement of Activities
 and Net Position.

11,192

Cash basis net position of business type activities (page 6)	<u>\$ 1,359,134</u>
--	---------------------

Change in cash balances (Page 11)	\$(268,402)
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Amounts reported for business type activities in the Cash Basis
 Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the
 costs of the City's cafeteria plan to individual funds. A portion
 of the change in the cash balance of the Internal Service Fund is
 reported with business type activities in the Cash Basis Statement
 of Activities and Net Position.

2,191

Change in cash basis net position of business type activities (page 6)	<u>\$(266,211)</u>
--	---------------------

The accompanying notes are an integral part of these statements.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Atlantic, Iowa is a political subdivision of the State of Iowa located in Cass County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides storm water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Atlantic has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

The financial statements do not include financial data for the Atlantic Municipal Utilities, a legally separate entity which should be reported as a discretely presented component unit.

Excluded Component Unit

The Atlantic Municipal Utilities (Utility), established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Utility is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Government Accounting Standards Board, the Utility meets the definition of a component unit which should be discretely presented.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Cass County Assessor's Conference Board, Cass County Environmental Control Agency, Cass County Emergency Management Commission, Cass County E911 Joint Service Board, SWIPCO - Regional Planning Commission and Cass County Public Safety Commission.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation

Government-wide Financial Statement

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the local option sales tax to be used for purposes allowed by local ballot provisions.

The Employee Benefits Fund is used to account for property tax collections for the payment of payroll taxes and other employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Committed - Amounts that can be used only for specific purposes determined by a formal action of the City Council.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and business type activities functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - BONDS PAYABLE

A summary of changes in bonds payable for the year ended June 30, 2020 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities:					
General Obligation					
Bonds	\$ 12,117,000	\$ 3,775,000	\$ 4,877,000	\$ 11,015,000	\$ 1,244,000
Local Option Sales and					
Services Tax Revenue					
Bonds	<u>408,684</u>	<u>--</u>	<u>60,387</u>	<u>348,297</u>	<u>63,286</u>
Governmental activities					
total	<u>\$ 12,525,684</u>	<u>\$ 3,775,000</u>	<u>\$ 4,937,387</u>	<u>\$ 11,363,297</u>	<u>\$ 1,307,286</u>
Business type activities:					
Sewer Revenue Bonds	<u>\$ 9,293,000</u>	<u>\$ --</u>	<u>\$ 388,000</u>	<u>\$ 8,905,000</u>	<u>\$ 401,000</u>
Business type activities					
total	<u>\$ 9,293,000</u>	<u>\$ --</u>	<u>\$ 388,000</u>	<u>\$ 8,905,000</u>	<u>\$ 401,000</u>

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - BONDS PAYABLE - Continued

Annual debt service requirements to maturity for general obligation bonds, local option sales and services tax revenue bonds and sewer revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 1,244,000	\$ 237,406	\$ 464,286	\$ 283,868
2022	1,246,000	215,234	480,323	268,801
2023	1,195,000	190,981	496,507	253,197
2024	1,235,000	168,362	513,843	237,051
2025	1,275,000	143,138	531,338	220,324
2026-2030	3,240,000	430,052	2,508,000	869,400
2031-2035	1,205,000	171,273	2,944,000	467,820
2036-2037	375,000	19,493	1,315,000	59,490
	<u>\$ 11,015,000</u>	<u>\$ 1,575,939</u>	<u>\$ 9,253,297</u>	<u>\$ 2,659,951</u>

Year Ending June 30,	Total	
	Principal	Interest
2021	\$ 1,708,286	\$ 521,274
2022	1,726,323	484,035
2023	1,691,507	444,178
2024	1,748,843	405,413
2025	1,806,338	363,462
2026-2030	5,748,000	1,299,452
2031-2035	4,149,000	639,093
2036-2037	1,690,000	78,983
	<u>\$ 20,268,297</u>	<u>\$ 4,235,890</u>

General Obligation Bonds

On April 16, 2015, the City issued \$405,000 of general obligation economic development bonds with interest rates ranging from 2.40% to 3.00% per annum. The bonds were issued for an urban renewal project in the Southeast Urban Renewal Area. During the year ended June 30, 2020, the City paid \$50,000 of principal and \$10,770 of interest on the bonds. The bonds mature in fiscal year 2026.

On April 16, 2015, the city issued \$1,550,000 of general obligation corporate purpose bonds with interest rates ranging from 2.00% to 3.00% per annum. The bonds were issued for street, water system, sanitary sewer system, storm water management system and sidewalk improvements and acquiring a fire truck for the fire department. During the year ended June 30, 2020, the City paid \$155,000 of principal and \$23,630 of interest on the bonds. The bonds mature in fiscal year 2025.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - BONDS PAYABLE - Continued

On May 5, 2016, the City issued \$4,660,000 of general obligation corporate purpose and refunding bonds with interest rates ranging from 1.50% to 2.90% per annum. The bonds were issued for refunding prior general obligation bonds and for street and storm water drainage construction and for acquiring vehicles for the fire and police departments. During the year ended June 30, 2020, the City paid \$330,000 of principal and \$77,573 of interest on the bonds. The bonds mature in fiscal year 2035.

On June 1, 2017, the City issued \$360,000 of general obligation corporate purpose bonds with an interest rate of 2.90% per annum. The bonds were issued for the purchase of equipment for the street department. During the year ended June 30, 2020, the City paid \$72,000 of principal and \$6,539 of interest on the bonds. The bonds mature in fiscal year 2022.

On April 24, 2018, the City issued \$2,685,000 of general obligation corporate purpose bonds with interest rates ranging from 3.00% to 3.75% per annum. The bonds were issued for airport, street and bridge projects and for the purchase of equipment and vehicles for the police and fire departments. During the year ended June 30, 2020, the City paid \$95,000 of principal and \$88,377 of interest on the bonds. The bonds mature in fiscal year 2037.

On May 1, 2020, the City issued \$3,685,000 of general obligation refunding bonds with an interest rate of 1.20% per annum. The bonds were issued for refunding prior general obligation bonds. During the year ended June 30, 2020, the City paid \$ - 0 - of principal and \$3,685 of interest on the bonds. The bonds mature in fiscal year 2028.

Local Option Sales and Services Tax Revenue Bonds

The City has pledged future local option sales and services tax receipts, net of specified allocations and disbursements, to repay \$1,000,000 of local option sales and services tax revenue bonds issued on March 1, 2004 with an interest rate of 4.80%. Proceeds from the bonds provided financing for the cost of the recreation and wellness center. The bonds are payable solely from the proceeds of the local options sales and services tax received by the City in accordance with Chapter 422B.12(3) of the Code of Iowa and are payable through 2025. Annual principal and interest payments on the bonds are expected to require approximately 12% of the LOST fund local option sales tax receipts. The total principal and interest remaining to be paid on the bonds is \$400,018. For the current year, principal and interest paid and net tax receipts were \$80,004 and \$702,682, respectively. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - BONDS PAYABLE - Continued

The resolutions providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future local option sales and services tax received by the City and the bond holders hold a lien on the future revenues received.
- (b) A local option sales and services tax revenue bond sinking account shall be established to account for 15% of the local option sales and services tax collected.
- (c) Sufficient quarterly deposits shall be made to a sinking account for the purpose of making the bond principal and interest payments when due.

During the year ended June 30, 2020, the City was in compliance with the bond provisions.

Sewer Revenue Bonds

On June 24, 2011, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources (DNR) through the State Revolving Fund Loan program for the issuance of up to \$11,717,000 of sewer revenue bonds with interest at 3.00% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the costs of building a new wastewater treatment plant, and constructing improvements and extensions to the municipal sanitary sewer system.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the sewer revenue bonds. The bonds are payable solely from sewer customer net receipts and are payable through 2037. Annual principal and interest payments on the bonds are expected to require approximately 100% of net receipts. Existing net position is used to meet debt service payments in years when the net receipts are not sufficient. The total principal and interest remaining to be paid on the bonds is \$11,513,230. For the current year, principal and interest paid and total customer net receipts were \$690,023 and \$677,879, respectively.

The resolution providing for the issuance of the sewer revenue bonds issued under the loan agreement includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

During the year ended June 30, 2020, the City was in compliance with the bond provisions.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 - PENSION PLAN - Continued

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$219,326.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$925,449 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.015982%, which was a decrease of 0.000424% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$284,495, \$257,332 and \$322,641 respectively.

There were no non-employer contributing entities to IPERS.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 - PENSION PLAN - Continued

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increases (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100%	

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 - PENSION PLAN - Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 2,238,654	\$ 925,449	\$(175,311)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$512,047 and plan members eligible for benefits contributed \$77,674 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

OPEB Benefits: Individuals who are employed by the City of Atlantic and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>35</u>
Total	<u><u>35</u></u>

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. These employees will receive a payout of one-half the total accumulated sick hours, up to 240 hours, upon retirement only. The City's approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 119,000
Sick leave	93,000
Compensatory time	<u>66,000</u>
Total	<u><u>\$ 278,000</u></u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 45,665
	Local Option Sales Tax	233,321
	Capital Projects	5,110
	Enterprise:	
	Sewer	53,574
	Storm Water	20,186
		<u>357,856</u>
Special Revenue:	Capital Projects	32,500
Road Use Tax		
Debt Service	General	22,868
	Capital Projects	180,530
	Special Revenue:	
	Road Use Tax	78,423
	Local Option Sales Tax	5,973
	Tax Increment Financing	101,156
	Enterprise:	
	Storm Water	100,000
		<u>488,950</u>
Capital Projects	General	460,046
	Special Revenue:	
	Road Use Tax	31,250
	Local Option Sales Tax	461,827
	Enterprise:	
	Sewer	300,000
	Storm Water	18,500
		<u>1,271,623</u>
Special Revenue:	General	15,000
Employee Cash Out	Special Revenue:	
	Road Use Tax	6,713
		<u>21,713</u>
Special Revenue:	General	5,737
Tax Increment Financing		
Enterprise:	Special Revenue:	
Sewer	Employee Cash Out	6,437
	Tax Increment Financing	27,366
		<u>33,803</u>
		<u>\$ 2,212,182</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - RELATED PARTY TRANSACTIONS

The City had business between the City and City officials totaling \$391,052 during the year ended June 30, 2020.

NOTE 9 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There has been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2020 were approximately \$153,000.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. At June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 - RISK MANAGEMENT - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation, and airport liability in the amount of \$1,000,000 and \$5,000,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, \$18,600 of property tax was diverted from the City under the urban renewal and economic development agreements.

NOTE 11 - DEFICIT BALANCES

The Capital Projects: Airport Hangar Rehabilitation, 2019 FEMA Disaster DR 4421, CDBG - AMU Water Project and Connector Trail Funds had deficit balances of \$38,056, \$1,568, \$40, and \$25,985 at June 30, 2020, respectively. The deficits will be eliminated upon transfers from other funds.

CITY OF ATLANTIC, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 12 - DEFEASANCE OF DEBT

On May 1, 2020, the City issued \$3,685,000 of general obligation refunding bonds with an interest rate of 1.20% to current refund \$3,430,000 of general obligation bonds dated March 28, 2012, and May 30, 2013 with an average interest rate of 1.05% - 2.50%. The net proceeds of \$3,643,650 (after payment of \$41,350 in underwriting fees and other issuance costs) were used to refund the debt. The refunding was undertaken to reduce total debt service payments over the next 8 years by \$94,011 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$86,928.

NOTE 13 - COMMITMENTS

The City entered into construction contracts for various construction and street improvements during the year ended June 30, 2020. The unpaid contract balances at June 30, 2020 total approximately \$105,100. The unpaid contract balances will be financed with the use of existing funds.

NOTE 14 - SUBSEQUENT EVENTS

The City has evaluated all subsequent events through January 27, 2021, the date the financial statements were available to be issued.

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OTHER INFORMATION

CITY OF ATLANTIC, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL
FUNDS AND PROPRIETRY FUNDS
OTHER INFORMATION

Year ended June 30, 2020

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds not Required to be Budgeted</u>
Receipts:			
Property tax	\$ 3,718,868	\$ --	\$ --
Tax increment financing	182,411	--	--
Other city tax	1,028,963	--	--
Licenses and permits	98,837	--	--
Use of money and property	210,223	32,829	--
Intergovernmental	1,870,432	--	--
Charges for service	392,791	1,847,148	42,875
Miscellaneous	510,578	35,803	--
Total receipts	<u>8,013,103</u>	<u>1,915,780</u>	<u>42,875</u>
Disbursements:			
Public safety	2,163,634	15,932	15,932
Public works	1,448,123	2,808	2,808
Health and social services	12,985	--	--
Culture and recreation	997,761	--	--
Community and economic development	233,538	--	--
General government	590,412	4,081	4,081
Debt service	1,896,606	--	--
Capital projects	1,497,296	--	--
Business type activities	--	1,686,323	3,473
Total disbursements	<u>8,840,355</u>	<u>1,709,144</u>	<u>26,294</u>
Excess (deficiency) of receipts over (under) disbursements	(827,252)	206,636	16,581
Other financing sources (uses), net	<u>859,292</u>	<u>(458,457)</u>	<u>--</u>
Change in fund balances	32,040	(251,821)	16,581
Balances beginning of year	<u>6,512,896</u>	<u>1,618,516</u>	<u>2,172</u>
Balances end of year	<u>\$ 6,544,936</u>	<u>\$ 1,366,695</u>	<u>\$ 18,753</u>

See accompanying independent auditor's report.

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 3,718,868	\$ 3,786,545	\$ 3,786,545	\$ (67,677)
182,411	--	--	182,411
1,028,963	1,027,587	1,027,587	1,376
98,837	93,430	93,430	5,407
243,052	373,250	424,011	(180,959)
1,870,432	4,436,865	4,497,785	(2,627,353)
2,197,064	2,381,059	2,391,559	(194,495)
546,381	157,538	201,238	345,143
<u>9,886,008</u>	<u>12,256,274</u>	<u>12,422,155</u>	<u>(2,536,147)</u>
2,163,634	2,128,164	2,146,664	(16,970)
1,448,123	1,688,949	1,688,949	240,826
12,985	14,232	14,232	1,247
997,761	883,799	919,799	(77,962)
233,538	236,985	236,985	3,447
590,412	610,055	623,055	32,643
1,896,606	1,671,244	5,471,244	3,574,638
1,497,296	3,927,970	3,927,970	2,430,674
1,682,850	1,567,607	1,582,607	(100,243)
<u>10,523,205</u>	<u>12,729,005</u>	<u>16,611,505</u>	<u>6,088,300</u>
(637,197)	(472,731)	(4,189,350)	3,552,153
<u>400,835</u>	<u>87,138</u>	<u>3,887,138</u>	<u>(3,486,303)</u>
(236,362)	(385,593)	(302,212)	65,850
<u>8,129,240</u>	<u>7,701,780</u>	<u>7,701,780</u>	<u>427,460</u>
<u>\$ 7,892,878</u>	<u>\$ 7,316,187</u>	<u>\$ 7,399,568</u>	<u>\$ 493,310</u>

CITY OF ATLANTIC, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,882,500. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and business type activities functions.

See accompanying independent auditor's report.

CITY OF ATLANTIC, IOWA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST SIX YEARS*

OTHER INFORMATION

	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability	0.015982%	0.016406%
City's proportionate share of the net pension liability	\$ 925,000	\$ 1,038,000
City's covered payroll	\$ 2,185,000	\$ 2,082,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	42.33%	49.86%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.017923%	0.018521%	0.013537%	0.021107%
\$ 1,194,000	\$ 1,166,000	\$ 669,000	\$ 476,000
\$ 2,115,000	\$ 2,072,000	\$ 1,850,000	\$ 1,841,000
56.45%	56.27%	36.16%	25.86%
82.21%	81.82%	85.19%	87.61%

CITY OF ATLANTIC, IOWA
SCHEDULE OF CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST SEVEN YEARS

OTHER INFORMATION

	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 219,000	\$ 213,000
Contributions in relation to the statutorily required contribution	<u>(219,000)</u>	<u>(213,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
City's covered payroll	\$ 2,276,000	\$ 2,185,000
Contributions as a percentage of covered payroll	9.62%	9.75%

Note: Amounts are rounded

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 194,000	\$ 196,000	\$ 192,000	\$ 175,000	\$ 174,000
<u>(194,000)</u>	<u>(196,000)</u>	<u>(192,000)</u>	<u>(175,000)</u>	<u>(174,000)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 2,082,000	\$ 2,115,000	\$ 2,072,000	\$ 1,850,000	\$ 1,841,000
9.32%	9.27%	9.27%	9.46%	9.45%

CITY OF ATLANTIC, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

* * *

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF ATLANTIC, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2020

	Special Revenue	
	Employee Cash Out	Police Pension
Receipts:		
Tax increment financing	\$ --	\$ --
Use of money and property	515	1,768
Intergovernmental	--	--
Total receipts	<u>515</u>	<u>1,768</u>
Disbursements:		
Operating:		
Public safety	--	21,274
Community and economic development	<u>6,131</u>	<u>--</u>
Total disbursements	<u>6,131</u>	<u>21,274</u>
Excess (deficiency) of receipts over (under) disbursements	(5,616)	(19,506)
Other financing sources (uses):		
Transfers in	21,713	--
Transfers out	(6,437)	--
Total other financing sources (uses)	<u>15,276</u>	<u>--</u>
Change in cash balances	9,660	(19,506)
Cash balances beginning of year	<u>20,650</u>	<u>93,055</u>
Cash balances end of year	<u>\$ 30,310</u>	<u>\$ 73,549</u>

(continued next page)

<u>Special Revenue</u>		
<u>Tax Increment Financing</u>	<u>Police Forfeiture</u>	<u>Total</u>
\$ 182,411	\$ --	\$ 182,411
45	51	2,379
996	289	1,285
<u>183,452</u>	<u>340</u>	<u>186,075</u>
--	32	21,306
48,794	--	54,925
<u>48,794</u>	<u>32</u>	<u>76,231</u>
134,658	308	109,844
5,737	--	27,450
(128,522)	--	(134,959)
<u>(122,785)</u>	<u>--</u>	<u>(107,509)</u>
11,873	308	2,335
44,754	12,597	171,056
<u>\$ 56,627</u>	<u>\$ 12,905</u>	<u>\$ 173,391</u>

CITY OF ATLANTIC, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2020

	<u>Special Revenue</u>	
	<u>Employee Cash Out</u>	<u>Police Pension</u>
Cash Basis Fund Balances		
Restricted for:		
Urban renewal purposes	\$ --	\$ --
Other purposes	<u> 30,310</u>	<u> 73,549</u>
Total cash basis fund balances	<u>\$ 30,310</u>	<u>\$ 73,549</u>

See accompanying independent auditor's report.

<u>Special Revenue</u>		
<u>Tax Increment Financing</u>	<u>Police Forfeiture</u>	<u>Total</u>
\$ 56,627	\$ --	\$ 56,627
<u>--</u>	<u>12,905</u>	<u>116,764</u>
<u>\$ 56,627</u>	<u>\$ 12,905</u>	<u>\$ 173,391</u>

CITY OF ATLANTIC, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2020

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Corporate purpose	March 28, 2012	1.10-2.50%	\$ 4,950,000
Corporate purpose	May 30, 2013	0.25-2.50%	2,720,000
Economic development	April 16, 2015	2.40-3.00%	405,000
Corporate purpose	April 16, 2015	2.00-3.00%	1,550,000
Corporate purpose and refunding	May 5, 2016	1.50-2.90%	4,660,000
Corporate purpose	June 1, 2017	2.90%	360,000
Corporate purpose	April 24, 2018	3.00-3.75%	2,685,000
Solid waste management	June 17, 2020	0.00%	90,000
Refunding	May 1, 2020	1.20%	3,685,000
Total General Obligation Bonds			
Revenue Bonds:			
Local option sales and services tax	March 1, 2004	4.80%	1,000,000
Sewer	June 24, 2011	3.00%	11,717,000
Total Revenue Bonds			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$ 2,665,000	\$ --	\$2,665,000	\$ --	\$ 52,050
1,420,000	--	1,420,000	--	24,126
380,000	--	50,000	330,000	10,770
970,000	--	155,000	815,000	23,630
3,855,000	--	330,000	3,525,000	77,573
222,000	--	72,000	150,000	6,539
2,605,000	--	95,000	2,510,000	88,377
--	90,000	90,000	--	--
<u>--</u>	<u>3,685,000</u>	<u>--</u>	<u>3,685,000</u>	<u>3,685</u>
<u>\$12,117,000</u>	<u>\$3,775,000</u>	<u>\$4,877,000</u>	<u>\$ 11,015,000</u>	<u>\$ 286,750</u>
\$ 408,684	\$ --	\$ 60,387	\$ 348,297	\$ 19,617
<u>9,293,000</u>	<u>--</u>	<u>388,000</u>	<u>8,905,000</u>	<u>302,023</u>
<u>\$ 9,701,684</u>	<u>\$ --</u>	<u>\$ 448,387</u>	<u>\$ 9,253,297</u>	<u>\$ 321,640</u>

CITY OF ATLANTIC, IOWA
BOND MATURITIES
June 30, 2020

Year ending June 30,	General Obligation Bonds			
	Economic Development Issued April 16, 2015		Corporate Purpose Issued April 16, 2015	
	Interest Rates	Amount	Interest Rates	Amount
2021	2.40%	\$ 55,000	2.25%	\$ 160,000
2022	3.00%	55,000	2.15%	160,000
2023	3.00%	60,000	2.15%	160,000
2024	3.00%	60,000	3.00%	165,000
2025	3.00%	65,000	3.00%	170,000
2026	3.00%	35,000		--
2027		--		--
2028		--		--
2029		--		--
2030		--		--
2031		--		--
2032		--		--
2033		--		--
2034		--		--
2035		--		--
2036		--		--
2037		--		--
		<u>\$ 330,000</u>		<u>\$ 815,000</u>

Year ending June 30,	General Obligation Bonds		
	Corporate Purpose Issued May 1, 2020		
	Interest Rates	Amount	Total
2021	1.20%	\$ 500,000	\$ 1,244,000
2022	1.20%	490,000	1,246,000
2023	1.20%	495,000	1,195,000
2024	1.20%	500,000	1,235,000
2025	1.20%	520,000	1,275,000
2026	1.20%	480,000	1,040,000
2027	1.20%	560,000	920,000
2028	1.20%	140,000	515,000
2029		--	380,000
2030		--	385,000
2031		--	350,000
2032		--	215,000
2033		--	225,000
2034		--	230,000
2035		--	185,000
2036		--	185,000
2037		--	190,000
		<u>\$ 3,685,000</u>	<u>\$ 11,015,000</u>

See accompanying independent auditor's report.

General Obligation Bonds

Corporate Purpose and Refunding Issued May 5, 2016		Corporate Purpose Issued June 1, 2017		Corporate Purpose Issued April 24, 2018	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
1.50%	\$ 355,000	2.90%	\$ 74,000	3.50%	\$ 100,000
2.00%	365,000	2.90%	76,000	3.75%	100,000
2.00%	375,000		--	3.75%	105,000
2.00%	380,000		--	3.75%	130,000
2.00%	385,000		--	3.75%	135,000
2.00%	385,000		--	3.00%	140,000
2.00%	215,000		--	3.25%	145,000
2.25%	225,000		--	3.25%	150,000
2.25%	225,000		--	3.25%	155,000
2.25%	230,000		--	3.25%	155,000
2.25%	195,000		--	3.40%	155,000
2.90%	60,000		--	3.50%	155,000
2.90%	60,000		--	3.40%	165,000
2.90%	60,000		--	3.35%	170,000
2.90%	10,000		--	3.35%	175,000
	--		--	3.45%	185,000
	--		--	3.45%	190,000
	<u>\$ 3,525,000</u>		<u>\$ 150,000</u>		<u>\$ 2,510,000</u>

Revenue Bonds

Local Option Sales and Services Tax Issued March 1, 2004		Sewer Revenue Bond Issued June 24, 2011		
Interest Rates	Amount	Interest Rates	Amount	Total
4.80%	\$ 63,286	3.00%	\$ 401,000	\$ 464,286
4.80%	66,323	3.00%	414,000	480,323
4.80%	69,507	3.00%	427,000	496,507
4.80%	72,843	3.00%	441,000	513,843
4.80%	76,338	3.00%	455,000	531,338
	--	3.00%	470,000	470,000
	--	3.00%	485,000	485,000
	--	3.00%	501,000	501,000
	--	3.00%	518,000	518,000
	--	3.00%	534,000	534,000
	--	3.00%	552,000	552,000
	--	3.00%	570,000	570,000
	--	3.00%	588,000	588,000
	--	3.00%	607,000	607,000
	--	3.00%	627,000	627,000
	--	3.00%	647,000	647,000
	--	3.00%	668,000	668,000
	<u>\$ 348,297</u>		<u>\$ 8,905,000</u>	<u>\$ 9,253,297</u>

CITY OF ATLANTIC, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Receipts:				
Property tax	\$ 3,718,868	\$ 3,708,089	\$ 3,601,988	\$ 3,573,539
Tax increment financing	182,411	189,373	134,418	109,263
Local option sales tax	917,068	1,163,751	881,838	953,212
Other city tax	111,895	117,662	117,449	100,547
Licenses and permits	98,837	92,309	92,511	67,957
Use of money and property	210,223	178,016	133,203	123,545
Intergovernmental	1,870,432	2,412,384	1,681,029	1,954,519
Charges for service	392,791	419,587	381,330	369,368
Miscellaneous	<u>510,578</u>	<u>297,381</u>	<u>374,651</u>	<u>307,422</u>
Total	<u>\$ 8,013,103</u>	<u>\$ 8,578,552</u>	<u>\$ 7,398,417</u>	<u>\$ 7,559,372</u>
Disbursements:				
Operating:				
Public safety	\$ 2,163,634	\$ 2,053,011	\$ 2,060,615	\$ 2,043,947
Public works	1,448,123	1,592,646	1,620,241	1,333,745
Health and social services	12,985	11,784	13,708	13,220
Culture and recreation	997,761	895,686	865,778	896,860
Community and economic development	233,538	253,642	239,245	409,359
General government	590,412	583,932	570,131	652,341
Debt service	1,896,606	1,590,589	1,389,764	1,514,758
Capital projects	<u>1,497,296</u>	<u>3,393,339</u>	<u>1,243,173</u>	<u>2,562,556</u>
Total	<u>\$ 8,840,355</u>	<u>\$ 10,374,629</u>	<u>\$ 8,002,655</u>	<u>\$ 9,426,786</u>

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 3,572,896	\$ 3,713,011	\$ 3,591,699	\$ 3,399,467	\$ 3,099,062	\$ 2,841,706
143,310	126,533	176,001	86,689	86,256	123,056
891,112	857,058	776,080	831,635	812,825	724,158
49,296	94,215	48,949	199,462	194,936	137,681
77,177	76,799	78,881	41,275	23,467	57,657
92,793	128,230	77,437	64,033	72,917	56,908
1,134,236	1,517,057	1,264,235	2,087,557	1,248,563	3,392,059
326,607	316,676	323,523	48,828	60,848	51,088
<u>1,146,086</u>	<u>929,925</u>	<u>1,043,110</u>	<u>479,894</u>	<u>708,977</u>	<u>711,878</u>
<u>\$ 7,433,513</u>	<u>\$ 7,759,504</u>	<u>\$ 7,379,915</u>	<u>\$ 7,238,840</u>	<u>\$ 6,307,851</u>	<u>\$ 8,096,191</u>
\$ 2,195,402	\$ 1,879,863	\$ 1,930,214	\$ 2,048,567	\$ 1,668,348	\$ 1,563,057
1,535,893	1,412,781	1,323,582	1,421,162	1,243,574	1,270,811
6,483	--	--	--	12,543	10,349
1,015,811	848,433	718,912	737,974	786,566	734,533
606,619	336,575	225,955	268,794	245,333	294,740
596,390	620,884	579,605	579,927	573,544	512,557
1,209,150	1,453,630	1,613,819	1,338,566	1,289,596	1,013,557
<u>2,220,283</u>	<u>2,015,906</u>	<u>3,878,443</u>	<u>4,337,072</u>	<u>3,508,919</u>	<u>2,742,110</u>
<u>\$ 9,386,031</u>	<u>\$ 8,568,072</u>	<u>\$ 10,270,530</u>	<u>\$ 10,732,062</u>	<u>\$ 9,328,423</u>	<u>\$ 8,141,714</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atlantic, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 27, 2021. Our report expressed an adverse opinion and unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Atlantic's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Atlantic's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Atlantic's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Atlantic's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and
Members of the City Council

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: 20-I-A.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Atlantic's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

The City of Atlantic's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City of Atlantic's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James W. Hall, Bess, Fyhn & Co. P.C.

Atlantic, Iowa
January 27, 2021

CITY OF ATLANTIC, IOWA
Schedule of Findings and Responses
Year ended June 30, 2020

PART I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

20-I-A Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The City has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response: The Mayor and City Council are aware of this lack of segregation of duties, but it is not economically feasible for the City to employ additional personnel for this reason. The Mayor and City Council will continue to act as an oversight group.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF ATLANTIC, IOWA
Schedule of Findings and Responses
Year ended June 30, 2020

PART II: Other Findings Related to Required Statutory Reporting

20-II-A Certified Budget: Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the public safety, culture and recreation and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation: The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response: The budget will be amended in the future, if applicable.

Conclusion: Response accepted.

20-II-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

20-II-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

20-II-D Business Transactions: Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Mike Henningsen, Airport Commissioner, Owner of Henningsen Construction	Fire station project Cold patch asphalt	\$ 378,409
Chris Dvorak, Executive Assistant/Dispatch for Police Department, Husband and Son are owners of Dvorak Tire and Service	Vehicle tires and service	\$ 12,493
Kathy Somers, City Council Member, Owner of Somers Photography	Photos	\$ 150

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the City Council Member do not appear to represent conflicts of interest since total transactions were less than \$6,000 during the fiscal year.

The transactions with the Airport Commissioner and the Executive Assistant/Dispatch for the Police Department do not appear to represent conflicts of interest since they were competitively bid in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

CITY OF ATLANTIC, IOWA
Schedule of Findings and Responses
Year ended June 30, 2020

PART II: Other Findings Related to Required Statutory Reporting - Continued

- 20-II-E Restricted Donor Activity: No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 20-II-F Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 20-II-G Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.
- 20-II-H Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy.
- 20-II-I Revenue Bonds: No instances of non-compliance with the revenue bond resolutions were noted.
- 20-II-J Economic Development: The City provides funding to Cass/Atlantic Economic Development and to the Atlantic Chamber of Commerce. The City provided funding totaling \$35,000 to both Cass/Atlantic Economic Development and the Atlantic Chamber of Commerce in fiscal year 2020. In accordance with Chapter 15A of the Code of Iowa, the City is providing oversight of these funds to determine the funds are being spent in accordance with the agreements and expenses meet the test of public purpose.
- 20-II-K Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- 20-II-L Financial Condition: The Capital Projects: Airport Hangar Rehabilitation, 2019 FEMA Disaster DR 4421, CDBG - AMU Water Project and Connector Trail Fund had deficit balances of \$38,056, \$1,568, \$40, and \$25,985 at June 30, 2020, respectively.

Recommendation: The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response: The deficits will be eliminated upon reimbursement from grant funds.

Conclusion: Response accepted.

CITY OF ATLANTIC, IOWA

Schedule of Findings and Responses

Year ended June 30, 2020

PART II: Other Findings Related to Required Statutory Reporting - Continued

20-II-M Tax Increment Financing (TIF): Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. No exceptions were noted.

* * *